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Canada

Grain and Feed

Record Ontario Wheat Crop Results in Increased Exports to U.S.

2004

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Report Highlights:

Due to regulatory reform of the Ontario Wheat Board and a record winter wheat crop expected 2003/04, Ontario wheat exports to the U.S. are expected to triple from historical averages. This development may have significant implications for the current U.S.-Canada dispute over the status of the Canadian Wheat Board and also add weight to the theory that the removal of the mandatory marketing requirements of the CWB could result in significant increases in exports of Western Canadian spring wheat to the U.S.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1]
[CA]

RECORD ONTARIO WHEAT CROP RESULTS IN INCREASED EXPORTS TO U.S.**Production**

Ontario winter wheat production for the 2003 crop year is estimated at about 2.06 million metric tonnes (MMT) by Statistics Canada and is comprised of approximately 60% red and 40% white wheat. Spring wheat production for 2003 is estimated by Statistics Canada at 163,300 MT, resulting in total Ontario wheat production of 2.2 MMT. According to the Canadian Grain Commission, the primary grading factors were fusarium, mildew or weathering, and low-test weight resulting mainly from excess rain just prior to harvest.

Table 1: Ontario Total Wheat Production

Ontario Wheat Production 1996/97 - 2003/04 Crop Years			
	Winter Wheat	Spring Wheat	Total Wheat
	('000 metric tonnes)		
2003/04	2,054.8	163.3	2,218.1
2002/03	1,137.6	234.1	1,371.7
2001/02	1,056.0	179.6	1,235.6
2000/01	1,374.4	103.4	1,477.8
1999/2000	1,415.2	92.5	1,507.7
1998/99	1,211.1	100.7	1,311.8
1997/98	748.4	100.7	849.1
1996/97	794.7	68.0	862.7
1995/96	1,319.9	47.6	1,367.5

(Source: Statistics Canada Field Crop Reporting Series)

Ontario Wheat Disposition

According to industry sources, utilization of soft white winter wheat by Ontario millers of cake and cracker flour is estimated at 500,000 metric tonnes (MT) per year. Approximately 100-200,000 MT of non-milling quality will likely be used as hog and poultry feed. This will likely result in reduced shipments of similar quality western Canadian feed wheat to Ontario.

This leaves approximately between 1.2-1.3 MMT available for export. Industry sources expect a record 800,000 MT of winter wheat will be shipped to the U.S, while 500,000 MT will likely be shipped to overseas markets. The first three months of Statistics Canada trade data for the current crop year show that 536,500 MT have already been shipped to the U.S. while just 14,700 MT have been shipped to countries other than the U.S.

Table 2: Ontario Non-Durum Wheat Exports

World Trade Atlas

Ontario - Domestic Exports of Non-Durum Wheat

August - July Crop Year

HS: 100190 MESLIN, NONDURUM WHT

UOM: metric tonnes

Crop Year	U.S.	Rest of World
03/04 YTD*	536,518	14,703
02/03	351,159	71,120
01/02	238,487	107,171
00/01	115,412	94,086
99/00	154,125	236,390
98/99	307,196	4,186
97/98	192,660	4,400
96/97	405,230	18
95/96	279,363	349,038

(Source: World Trade Atlas - Statistics Canada)

* August to October Year-to-Date

Analysis

The Ontario wheat industry attributes increased demand for Ontario winter wheat by eastern U.S. mills due to quality problems, namely fusarium head blight, in key eastern U.S. growing areas, primarily Tennessee and Georgia.

At the Ontario Wheat Producers' Marketing Board (OWBPB) 2002 annual general meeting, resolutions were passed removing the cap on the amount of grain that Ontario farmers could direct market (market outside of the Ontario wheat pools). Ontario wheat exports to the U.S. before the market in Ontario went completely voluntary increased from 238,000 MT in the 2001/02 crop year to 351,000 MT in 2002/03, an increase of almost 50%. Exports from Ontario to the U.S. in the current crop year are shaping up to surge to an all-time record 800,000 MT, representing a three-fold increase over the seven-year average of 240,000 MT.

Comments

The implications of regulatory reform in the OWPMB for Western Canadian wheat producers are significant. For a number of reasons, from the current anti-dumping and countervailing duties imposed by the U.S., the current World Trade Organization (WTO) challenge against the monopolistic and discriminatory powers of the Canadian Wheat Board (CWB), and increasing pressure in the World Trade Organization (WTO) to reform State Trading Enterprises (STEs) such as the CWB, Western Canadian farmers may eventually have the opportunity to market their grain in an environment free of CWB constraints. Under these conditions, the indicators suggest that exports of Western Canadian spring wheat to the U.S. could increase significantly. A similar situation was seen in 1993 when the Canadian federal agriculture minister removed barley from the marketing jurisdiction of the CWB and Canadian barley exports to the U.S. dramatically increased.

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